

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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POLICY

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## Venezuela

## COFFEE ANNUAL

### Annual Coffee Report

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**Report Highlights:**

Controlled farm-gate prices and significant competition from government imports have reduced profitability for domestic coffee producers. Production in the next market year 2013/14 could increase if weather conditions and government policies improve, but significant imports will still be needed to meet the demand.

**Executive Summary:**

Venezuela used to be self-sufficient in coffee production with enough surpluses for export but it now relies on imports to meet domestic consumption. Production for MY 2012/13 is estimated at 730,000 bags. About 600,000 bags of imported green coffee are estimated for MY 2012/13, mainly from Brazil and Nicaragua. Imports for 2013/14 should be around 630,000 bags to meet demand.

**Commodities:**

Coffee, Green

**Production:**

Coffee farmers were hopeful that the 2012 harvest would be better than previous years but the lack of agricultural inputs, financing and unrevised price controls resulted in a production of 700,000 bags for MY 2011/12.

The lack of profitability of the coffee crop affected the method of collection and selection of harvest during MY 2011/12. Seventy percent of the production consisted of poor quality beans. This situation occurred because all of the beans were collected the same time.

Production for MY 2012/13 is estimated at 730,000 bags. This slight increase is due to better weather in the coffee producing areas of the country.

Production for MY2013/14 is forecasted at 800,000 bags, assuming timely and appropriate public financing, good supply of inputs, controlled price reviews that result in increased prices, and good weather conditions.

Planted area remains at about 200,000 hectares but productivity has been decreasing. Low profitability has caused the abandonment of thousands of hectares of coffee in the last seven years. The area harvested is currently calculated at about 180,000 hectares.

**Consumption:**

Per capita consumption is estimated at about 3 kilos per year. Local coffee consumption is considered high when compared with other producing countries but domestic production only covers about fifty percent of the local needs. The rest is covered by imports. Total domestic consumption during MY 2011/12 was 1,305,000 bags and it is expected to remain steady during MY 2012/13.

**Trade:**

Since 2009, Venezuela has had to import large quantities of green coffee to supply the domestic market. Growers claim that government price controls make it uneconomical to grow coffee.

The government is the sole importer of green coffee. Imports come mainly from Brazil and Nicaragua. During MY 2011/12, total coffee imports were reported at 575,000 bags, and are estimated to increase to 606,000 bags during MY 2012/13. Industry leaders “Cafe Madrid” and “Fama de America” were nationalized by the government four years ago and now operate with imported raw material. These two companies still have nearly an 80 percent market share and a strong distribution network.

For MY 2013/14, imports are forecasted at 630,000 bags. Despite restrictions on trade and internal movement of food products, coffee exports continue, primarily to Colombia, as Venezuela's exchange rate policy and other factors make this illegal trade attractive.

## Policy:

### Pricing Policy

Coffee is one of the basic food basket products that are under a control price regime (established by the government of Venezuela in 2003). Farm-gate prices for green coffee and ground coffee retail prices have not been adjusted since September 2012 and November 2012, respectively, when the Government was forced to review the controlled prices due to pressures from the market. But many small farmers and processors still claim that the prices set by the government are not high enough to cover production costs.

### Production, Supply and Demand Data Statistics:

Coffee, Green Venezuela	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	200	200	200	200		200
Area Harvested	180	180	180	180		180
Bearing Trees	500	500	500	500		500
Non-Bearing Trees	30	30	30	30		30
Total Tree Population	530	530	530	530		530
Beginning Stocks	232	232	273	103		54
Arabica Production	850	700	880	730		800
Robusta Production	0	0	0	0		0
Other Production	0	0	0	0		0
Total Production	850	700	880	730		800
Bean Imports	600	570	385	600		630
Roast & Ground Imports	1	1	5	1		1
Soluble Imports	5	5	10	5		5
Total Imports	606	576	400	606		636
Total Supply	1,688	1,508	1,553	1,439		1,490
Bean Exports	100	100	80	80		80
Rst-Grnd Exp.	0	0	0	0		0
Soluble Exports	0	0	0	0		0

